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C O N F I D E N T I A L SECTION 01 OF 03 AMMAN 000605

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E.O. 12958: DECL: 02/21/2018  
TAGS: [PGOV](#) [ECON](#) [JO](#)  
SUBJECT: AS FUEL SUBSIDIES VANISH, JORDANIAN POLITICIANS  
AWAIT THE COMING POLITICAL STORM

REF: A. AMMAN 407  
[1](#)B. AMMAN 296  
[1](#)C. 07 AMMAN 4773

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Classified By: Ambassador David Hale  
for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: Now that Jordan's parliament has endorsed a budget free from fuel subsidies (Refs A & B), politicians are beginning to talk about how the decision will impact the political world. Among members of parliament, the government gets high marks for preparing public opinion for the removal of subsidies. Still, many Post contacts worry that the process of passing the budget effectively drained the government's political capital - capital that will be needed for future political controversies. In the current budget environment, some of Jordan's politicians are finding that their service-based mandates expose them to demands that they are no longer able to satisfy. The budget is also having a marked impact on the operation of aid efforts focused on refugees. Jordanians blame various parties for the inevitable lifting of subsidies - the United States, Iraqi refugees, and Saudi Arabia are the targets of choice. In spite of the anxiety caused by the budget, it is unlikely to produce a genuine political crisis. Only a deepening and broadening of Jordan's economic woes would raise the ire of average Jordanians, who are, for now, rolling with the punches. End Summary.

#### Fuel Subsidies Lifted

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[1](#)2. (C) Among Jordan's parliamentary and political elite, there is a general recognition that the lifting of fuel subsidies was a necessary evil. Parliament's Deputy Speaker Mamdouh Abbadi, among others, gives credit to the Dahabi and Bakhit governments for adequately preparing public opinion for the end of subsidies. This allowed the public (and the media) to blow off some steam, but Post's parliamentary contacts realize that the core budgetary issues remain. There is a basic worry among Jordan's politicians that the government is overstating the impact of the lifting of subsidies while doing little to address the root problems of Jordan's economy, essentially kicking the problem down the road a few years and hoping for the best.

[1](#)3. (C) Speaking about the recently passed budget, MP Hazem Al-Nasser (a centrist, pro-business member of parliament's financial committee and former cabinet minister) cited what he called "terrifying figures." He said that salaries and other operating costs were swallowing a huge part of Jordan's national income - an amount equal, in his estimation, to thirty-one percent of GDP. Meanwhile, the deficit has

climbed to over five percent of GDP - more than the agreed-upon target in the National Agenda. MP Mohammed Kharabsheh also points to Jordan's growing budget deficit as a cause for concern. He realizes that the lifting of subsidies was necessary, but fears that the government is now out of political capital which it will need in the near future. Looking ahead to future budget cycles, Kharabsheh sees a government without options - raising taxes "would create a revolution," and cutting government services is equally unpalatable ("there is no fat left"). Speaker of Parliament Abdulhadi Al-Majali recently told the Ambassador that "the people cannot bear any more taxes," and that while the government was "doing very well" in containing public fallout, a recent bout of cold weather would put further pressures on a budget that is already tight.

14. (C) Nasser had an additional criticism: that the budgetary process was led entirely by the government, with almost no real input from parliament. In parliament's eyes, this caused the budget to reflect the government's agenda rather than the local concerns that MPs hear from their constituents. "We've become like a socialist country - giving people the same resources regardless of priorities," he complained. Nasser reserved special criticism for the blossoming of various commissions and authorities, particularly those which handle aspects of investment. He called these a drain on the budget: "we don't need a new authority for every investor." He said that the courts and the Ministry of Justice should be doing much of the work that many commissions are doing (a not-so-subtle jab at the Anti-Corruption Commission and newly legislated ombudsman). "Fancy agencies - I understand, but why do we need them if we have the courts?" Nasser said that "small and efficient" government is his personal goal, but unfortunately the current trend is in the opposite direction.

The Poor Get Poorer

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15. (C) Politicians and activists of all stripes tell us that they are under pressure from their constituents to deliver relief. Fathullah Umrani, a union leader in Irbid, voiced the widely held concern that the ultimate impact of rising prices would be a decline in the ability of normal people to get by. The implications of this view are now falling on Jordan's politicians, whose service-centered mandate is being put to the test. Yet in this budget climate, the resources simply aren't there. Even tribal "connections" - the sine qua non of Jordanian politics - will not grease the wheels sufficiently. Sheikh Hamad Abu Zeid, a tribal MP whose support is largely derived from his ability to deliver services to his exurban and rural constituency, requested a personal audience with PM Nader Dahabi after subsidies were lifted to request additional government support for his district. Abu Zeid left empty handed, as the PM told him to "tighten your belts." Abu Zeid believes that the situation is serious, and, to illustrate his fears of a possible increase in instability and criminal behavior, quoted a saying of the Prophet Mohammed about the legitimacy of people in need stealing bread. He told us that charitable organizations would normally step in to fill the gap in times of economic hardship, but in this case, the charities themselves are unable to provide for Jordan's neediest citizens.

16. (C) The pressure to deal with the impact of rising prices is not falling on the government alone. Price increases are set to have a noticeable impact on the ability of UNRWA to provide a social safety net for Palestinian refugees, many of whom are already among the poorest residents of Jordan. There is a set formula through which the agency designates certain families and individuals as "hardship cases." Refugees who fall in this category are given a paltry 7 JD (10 USD) per month extra in economic assistance. UNRWA's

country director Sheldon Pitterman expects the number of officially designated hardship cases to rise significantly in the coming months, but asserts that the added funding to offset that inflation in refugee allowances simply does not exist. "I don't have any more resources," Pitterman says. "The Jordanian government says that 'refugees are UNRWA's problem,' even if most of the refugees are also Jordanian citizens." Similarly, rising prices are impacting UNRWA's ability to pay its staff a competitive wage - a situation evidenced by a four hour sit-in staged by UNRWA staff at the agency's headquarters on February 24 to agitate for salaries that will keep up with inflation.

#### Spreading the Blame Around

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17. (C) Jordanians pin the blame for price rises on a variety of actors, both foreign and domestic. Sheikh Abdel-Halim Qteishat, a resident of Baqa'a refugee camp, parrots the widely held perception that the United States is either directly or indirectly behind the price hikes. He notes, as many others do, that Jordan received a steady stream of discounted oil from Saddam's regime - a flow that has now ceased. In this reading, the lack of a reliable, low-cost oil supply has plunged Jordan into the dangerous waters of the international oil market, where the American campaign in Iraq added insult to injury by pushing prices even higher.

18. (C) MP Hazem Al-Nasser voiced another common theory, that rising prices in Jordan were primarily (but not solely) a function of Iraqi refugees. While he had "no solid proof" that this was the case, Nasser theorized that an influx of Iraqis raised the profile of Amman's housing market, which then attracted investors from the Gulf who could afford to push prices even higher. That real estate boom has now raised the cost of living for ordinary Jordanians, echoing throughout the entire economy. Note: As Ref C points out, this is not substantiated by hard data or common sense. End Note. The perception that economic turbulence is a result of the Iraq war causes many of our contacts to blame the U.S. for failing to adequately compensate Jordan for the unintended consequences of the campaign.

19. (C) Another notion that gets a lot of play, particularly in Jordan's bureaucracy, is that the blame for Jordan's economic woes falls on Saudi Arabia and other potential benefactors in the gulf. The complaint is that Jordan's oil-rich neighbors fail to understand Jordan's contribution to their security (usually expressed in vague notions of border control, and Jordan's place as a strategic bulwark against Israel). If they truly understood the positive role of Jordan in the region, the argument goes, then they would provide Jordan with subsidized oil as either an appreciative

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offering or as a form of charity to a fellow Arab state in distress. State Minister for Media and Communication Nasser Judeh told the Ambassador recently that Saudi Arabia has "a sympathetic understanding" of Jordan's budget crunch, but does little to directly address it through increased aid or access to low-priced oil. He said that as long as Jordan is confined to buying oil on the international market, its budgetary difficulties will remain. Speaker Majali asserts that MPs want to "play hardball" with the Saudi government on border security in the hope that it will change its stance on oil subsidies. Note: Some contacts go even further, asserting that if the U.S. pressured the Gulf states, they would be moved to offer subsidized oil to Jordan. In fact, Saudi Arabia provided USD 600 million in cash aid to Jordan, spread between 2006 and 2007. Saudi officials have hinted the King will receive additional aid when he visits Saudi Arabia February 26 and 27. End Note.

#### Political Fallout

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¶10. (C) In spite of the whining and bellyaching about the rising cost of living, few predict an imminent political crisis. Fares Braizat, Deputy Director of the Jordan University Center for Strategic Studies, said that despite a high number (forty-eight percent) of respondents in a recent poll saying that their economic situation had worsened in the last three years, there was a "low possibility" of political action resulting from the cutting of oil subsidies. Braizat attributed this to the fact that there is very little "severe poverty" in Jordan - people are not at the point of desperation, or even anywhere near it. This has little to do with government actions. There is a non-governmental social safety net composed of families, tribes, and charities that keep people afloat. For its part, the government has offered "painkillers" in the form of increased public sector salaries which will ease the reaction of public opinion.

¶11. (C) Looking down the road at the political impact of price increases, Braizat concluded that any popular reaction would be necessarily aimed at the "expendable" part of the regime (i.e., the government and the parliament) rather than the King. He also theorized that "Jordan's economic model will eventually come into conflict with its political model". That is, the concentration of political resources in the hands of the few will necessarily result in the concentration of economic resources in those same hands, and thus the liberalization of the economic sphere will ultimately come into conflict with the centralization of the political sphere.

¶12. (C) Predictably, the Muslim Brotherhood's party, the Islamic Action Front (IAF), has embraced a populist tone that rejects the lifting of fuel subsidies. Zaki Bani-Irshaid, the leader of the IAF, issued public calls for rejection of the new budget, saying that it would "leave a horrible impact on the livelihood of the public and destroy the ability of the majority of society to continue daily life." He also denounced the raising of public sector wages, saying that the measures were "seasonal, soporific, and deceptive" and would unleash unpredictable ripple effects on Jordan's economy: "No one can predict the consequences of the coming calamity." Note: The IAF can afford to adopt apocalyptic rhetoric, as they have a mere six seats in the 110-seat lower house, and are shut out of the decision-making process. They have no incentive - and no ability - to offer solutions given their marginalized political voice. End Note.

Comment

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¶13. (C) The vote on Jordan's budget was the first time the lower house of parliament used a new USAID-sponsored electronic voting system. Unlike the raised hands of the past, the new system records the votes of every member - votes that will (in theory) be made available for public scrutiny in the future. That said, MPs that we talked to were unconcerned about the recording of their votes on the budget, expecting the lackadaisical approach Jordan's public and civil society usually takes towards parliamentary action.

While there is nothing to currently suggest that a change in that approach is imminent, there is a general worry in Jordanian society that the end of fuel subsidies will mean a new era of market-driven price shocks and general economic uncertainty. If the impact of rising prices continues deeper, longer, and in the same highly publicized (and politicized) way, some of Jordan's MPs may regret the fact that their vote was recorded for posterity.

HALE